ATR Financial Management Workshop

- ***Access to Recovery (ATR) 2006 Summer Conference and Grantee Meeting,*** July 26, San Francisco

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Some Goals of ATR Financial Management:

- Support optimal service delivery through steady and deliberate resource management
- Appoint manager to monitor inflows and outflows at all times
- Avoid over-spending (3-year limited program)
- Avoid under-spending (3-year limited program)

Key Financial Management Concepts:

- Manage dollars before they are spent
- Experiment with assumptions on a spreadsheet, not in the real world
- Repeated and contradictory adjustments amplify volatility and detract from credibility

Now is a Great Time to Revise (or Construct) Your Model:

- Third and final budget year (starting in August 2006)
- Grantees are reviewing their experience
- Adjust remaining funding to meet ATR objectives

Expenditure Risks:

- Some grantees have experienced the risk of underutilization
- Over utilization brings other risks:
  - Over expenditures (run out of funding prematurely)
  - Service dislocations
  - Accrued expenditures may be in excess of grant funds

Some Actions to Take:

- Staff resources
  - ATR financial management is labor intensive
  - Assign someone responsibility for tracking and analysis
- Use reliable cost and utilization data as close to real time as possible; track variances
- Review methods to accelerate, slow down, and contain utilization and expenditures
- Develop Stabilized Operations Forecasting Model

Uses of a Stabilized Operations Forecasting Model:

- An alternative to multiple episodes of “hurry up and slow down”
- Helps with budget/expenditure forecast revisions
- Framework for monitoring spending
- Identify the need to make programmatic changes as necessary.
- Control expenditures before they are made

“Stabilized Operations” in ATR Context:

- Project when optimal targeted level of voucher services to clients is reached
- Allow for start up (or, two years in the program, catch up or slow down)
- Establish a plan to wind down by the end of the 3 year program
- Monitor and adjust projections and activities accordingly

Constructing the Model:

- Make it automated
- Assumptions may change quarterly, monthly, weekly
- Identify the variables most likely to influence utilization
- Spread the original annual assumptions by month, over the 3 year life of the ATR grant.
- Include start up and wind down

TABLE 2.1: SAMPLE STABILIZED OPERATIONS BUDGET PROJECTION (VOUCHER SERVICES ONLY)													
	YEAR 1												
(Months)	1	2	3	4	5	6	7	8	9	10	11	12	**TOTAL**
Clinical/Recovery Support Services:													
New Clients Receiving Vouchers					128	128	128	128	128	128	128	128	**1024**
Monthly Clients Served (duplicate count)					128	256	384	512	640	768	768	768	
Monthly Cost Per Client					$500	$500	$405	$358	$329	$310	$310	$310	
Total Monthly Expenditure					$64,000	$128,000	$155,520	$183,040	$210,560	$238,080	$238,080	$238,080	**$1,455,360**
	YEAR 2												
(Months)	1	2	3	4	5	6	7	8	9	10	11	12	**TOTAL**
Clinical/Recovery Support Services:													
New Clients Receiving Vouchers	128	128	128	128	128	128	128	128	128	128	128	128	**1536**
Monthly Clients Served (duplicate count)	768	768	768	768	768	768	768	768	768	768	768	768	
Monthly Cost Per Client	$310	$310	$310	$310	$310	$310	$310	$310	$310	$310	$310	$310	
Total Monthly Expenditure	$238,080	$238,080	$238,080	$238,080	$238,080	$238,080	$238,080	$238,080	$238,080	$238,080	$238,080	$238,080	**$2,856,960**
	YEAR 3												
(Months)	1	2	3	4	5	6	7	8	9	10	11	12	**TOTAL**
Clinical/Recovery Support Services:													
New Clients Receiving Vouchers	128	128	128	128	128								**640**
Monthly Clients Served (duplicate count)	768	768	768	768	768	640	512	384	256	128	0	0	5760
Monthly Cost Per Client	$310	$310	$310	$310	$310	$272	$215	$215	$215	$215			
Total Monthly Expenditure	$238,080	$238,080	$238,080	$238,080	$238,080	$174,080	$110,080	$82,560	$55,040	$27,520	$0	$0	**$1,639,680**
									TOTAL CLIENTS SERVED:				**3,200**
									TOTAL EXPENDITURES:				**$5,952,000**

Assumptions for Table 2.1:

- The grantee received a $7.0 million award;
- 85% (total grant less allowed administrative costs) of which (approximately $5.95 million) would go to clinical and recovery support services.
- Client assessment begins in third month of the program
- Clients accepted receiving vouchers to start the next month (month 4).
- About 128 clients per month, would be accepted based on historic data.

(Assumptions continued Table 2.1)

- Vouchers valid for a 6-month period
- The grantee was issuing a flat voucher per client of $1,860 per client for various services.
- 3,199 clients over the 3 year period
- Most would enter the program at a higher service level and step down to less intensive services, hence $500 per month at first, $215 later.

Important Overall Concepts Table 2.1

- Monthly basis for services and expenditures
- Anticipation of start up
- Limited the issuance of vouchers to ration the funding steadily across the 3 year program
- Ended new enrollment 6 months prior to the end of the last fiscal year so that all existing clients could be served

Examples of Other Variables and Items to Include in Formats:

- Costs by service modality
- Completion rates
- Completion by type of client (e.g. RSS only)
- Completion rates by type of service
- Allocations to sub-districts and regions
- Cumulative trend lines

Grantees Trying to Increase Utilization:

- Can look at increasing target populations, expanding services and providers
- But, must carefully project what can happen over time using a model to avoid sudden shift to over utilization of ATR funds

Tracking Variances:

- Each month (at least, depends on volatility)
- Compare actual to projected (monthly, and cumulative Year to Date and Program to Date
- Analyze reasons for over and underutilization
- Be prepared to revise your projections
- Consider program policy changes as needed

Analysis Might Include:

- Detail by service modalities for treatment and recovery services
- Detail by regions and sub-grantees
- Detail by facility or provider
- Detail by type of client

Table 2.2 Sample ATR Program Summary – Client Intake Data
Date: June 30, 2006

	Last 3 Months:						Cumulative 2006 Fiscal Year (FY) Data (August 2005 – August 2006) 2nd Program Year			Cumulative Actual Program to Date (August 2004 – June 2006)
	June 2006		May 2006		April 2006					
Client Statistics	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Cumulative Actual to Date (Aug. 2005 – June 2006)	Total FY 2006 Budgeted Assumptions	Actual vs. Budget) (one month remaining in FY) Numbers and Percent	Total to Date
Number of Clients Screened							1,975	2,200	- 225 clients (under) (90% of projected)	
Number of Clients Assessed							1,679	1,870	- 191 clients (under) (90% of projected)	
Ratio of Screening to Assessments							85%	85%	85% (on target)	
Total Vouchers Issued (clients entering into services after assessment)							1,202	1,536	- 334 clients (under) (78% of projected)	2,466
Ratio of Clients Entering Program to Assessments							72%	82%	(10% under projected)	
Total Vouchers Issued							1,202	1,536	-334 clients (under) (78% of projected)	
Region 1							460	482	- 22 clients (under) (95% of projected)	
Region 2							337	695	- 358 clients (48% of projected)	
Region 3							365	359	+ 6 clients (over) (102% pf projected)	

Table 2.2: Example Variance Analysis

- With one month remaining in FY 2, the total number of vouchers issued is at 78% of the amount projected for the entire year.
- Their targeted numbers of clients screened and assessed are close to projections.
- The Total Vouchers Issued (ratio of clients entering the program after assessment) is only at 72% of assessments, rather than the 82% projected.
- Regions 1 and 3 are on target, but Region 2 is well under.

Consider These Items When Developing Models:

- ATR funds are obligated when vouchers are issued
- Not all obligated funds will be used by each client
- As vouchers expire, the remaining dollars become eligible for others to use
- The need to track voucher expenditures on many levels
- Accrual accounting needed, actual cash expenditures are recognized only when paid

Sources for Expenditure Reporting: State Level and Federal Reports

- Grantees periodic reports of actual drawdowns of ATR funds to CSAT
- Yet state and Federal level accounting systems are not designed to track and forecast expenditures for operating purposes.
- States differ from each other in their accounting and disbursements systems

Sources for Expenditure Reporting: Budgets

- Budgets are by nature projections, and should never be used to report actual expenditures.
- Operating budgets should be updated at least monthly to take into account the prior month's experience

Sources for Expenditure Reporting: ATR Vouchers Issued:

- Each voucher represents a funding obligation and is an important expenditure benchmark.
- Vouchers obligated should be tracked at least weekly.

Sources for Expenditure Reporting: Accrued Provider Expenditures

- Actual services that have been rendered by providers against a voucher.
- The most important measure of actual expenditures rate
- Tracked at least weekly if expenditure patterns are volatile.
- Can be tracked through invoices or through more frequent, informal reporting by providers.

Sources for Expenditure Reporting: Provider Claims Paid

- Cash out of the system after an invoice is received and paid for
- Typically lag at least 2 weeks to 30 days or more behind services rendered
- Accruals are a better method of judging grantee real expenditures and obligations at a particular moment in time.

Sources for Expenditure Reporting: Vouchers Expired (with remaining funds)

- Unspent funds set-aside but not used because a client did not complete all or a portion of the voucher are returned to the funding pool.
- An important measure of available funds.

Three Methods to Reduce Volatile Utilization and Expenditure Patterns:

- Shortening the period between voucher issuance and expiration
- Requiring more frequent invoicing and/or reporting by providers
- Changing the mix of services and enrollment

Shortening the Period Between Voucher Issuance and Expiration:

- Current range of grantees
  - Shorter: 30 days to present initially and 14 days to transition each step
  - Longest: One full year to present for services
- Could improve results by encouraging more timely (shorter) access and completion
- Helps grantees monitor expenditures better
- Frees up underutilized funds for others

Requiring More Frequent Invoicing and Reporting by Providers:

- The shorter the periods, the better the information for accrual expenditure tracking
  - (Current range: invoice weekly/report every 3 days to invoicing within 60 days of service date)
- Example:
  - Requiring weekly reporting and twice-monthly invoicing
  - Provider impacts: helps cash flow; increases workload

Changing Mix of Services and Enrollment

- May require approval by SAMHSA
- Serve more clients with lower cost and less intensive services (and increased transaction costs)
- Serve fewer clients with higher cost and more intensive services
- Must consider outcome measures (number of clients to be served during grant period)

Grantees trying to decrease spending might:

- Cap enrollment
- Stop enrollment
- Limit service levels
- Reduce services available within a given level of service
- But, must project each scenario to see how it affects overall spending and recipient outcomes

Grantees Trying to Slow Down Spending Might:

- Cap the total enrollment
- Reduce the target populations
- Eliminate some service levels entirely and/or
- Reduce amount of services within a given modality

Transitioning clients and providers:

- Don’t leave existing clients in mid-treatment w/out alternative funding
- Find other available funding streams for existing clients
- Find ways to carry forward ATR services, provider capacity, and features that have demonstrated value